



REDD & US Climate Policy

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Overview

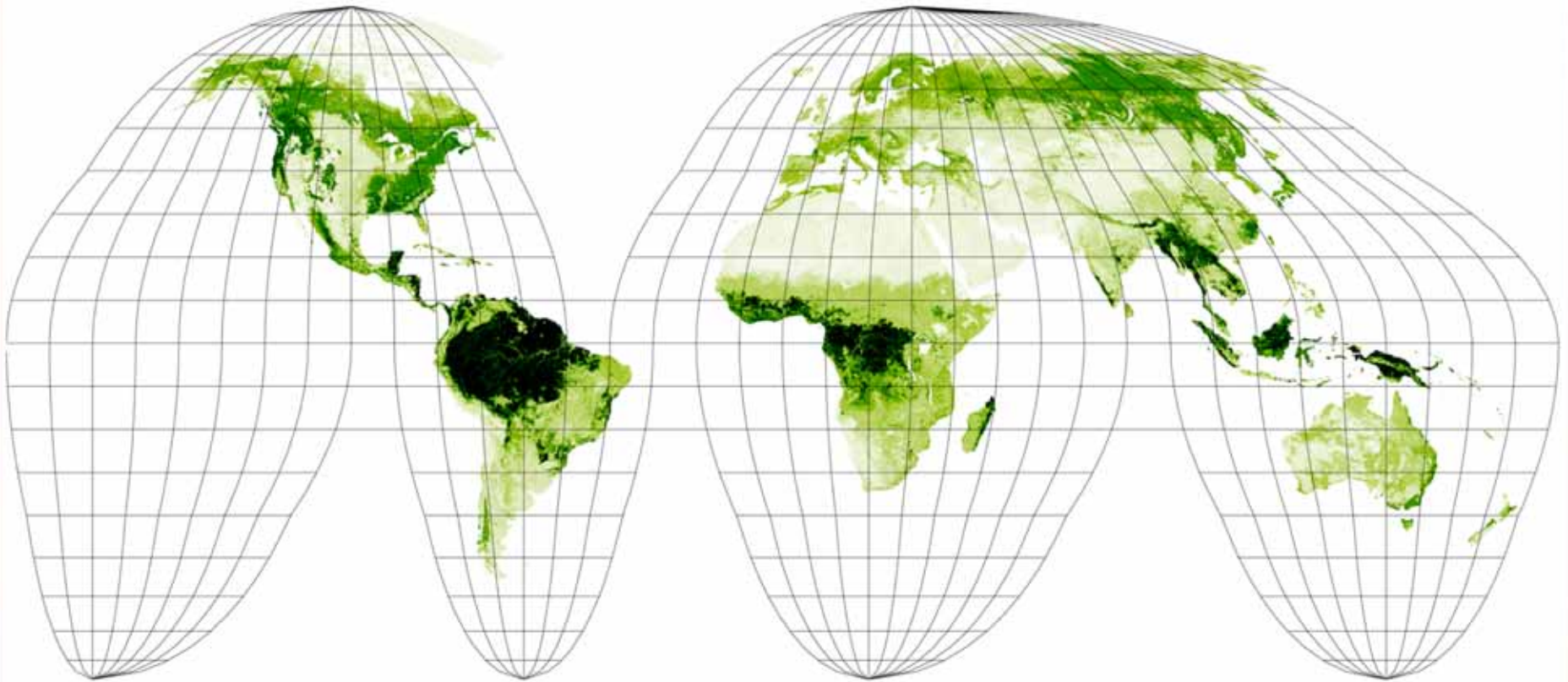
- Background
 - Key challenges
 - REDD in context
- REDD and US federal climate policy- American Clean Energy & Security Act of 2009 (H.R. 2454)
 - Overview of the bill
 - REDD provisions
 - Issues/concerns going forward

The Challenge: Creating Incentives to Keep Terrestrial Carbon in Tropical Forests

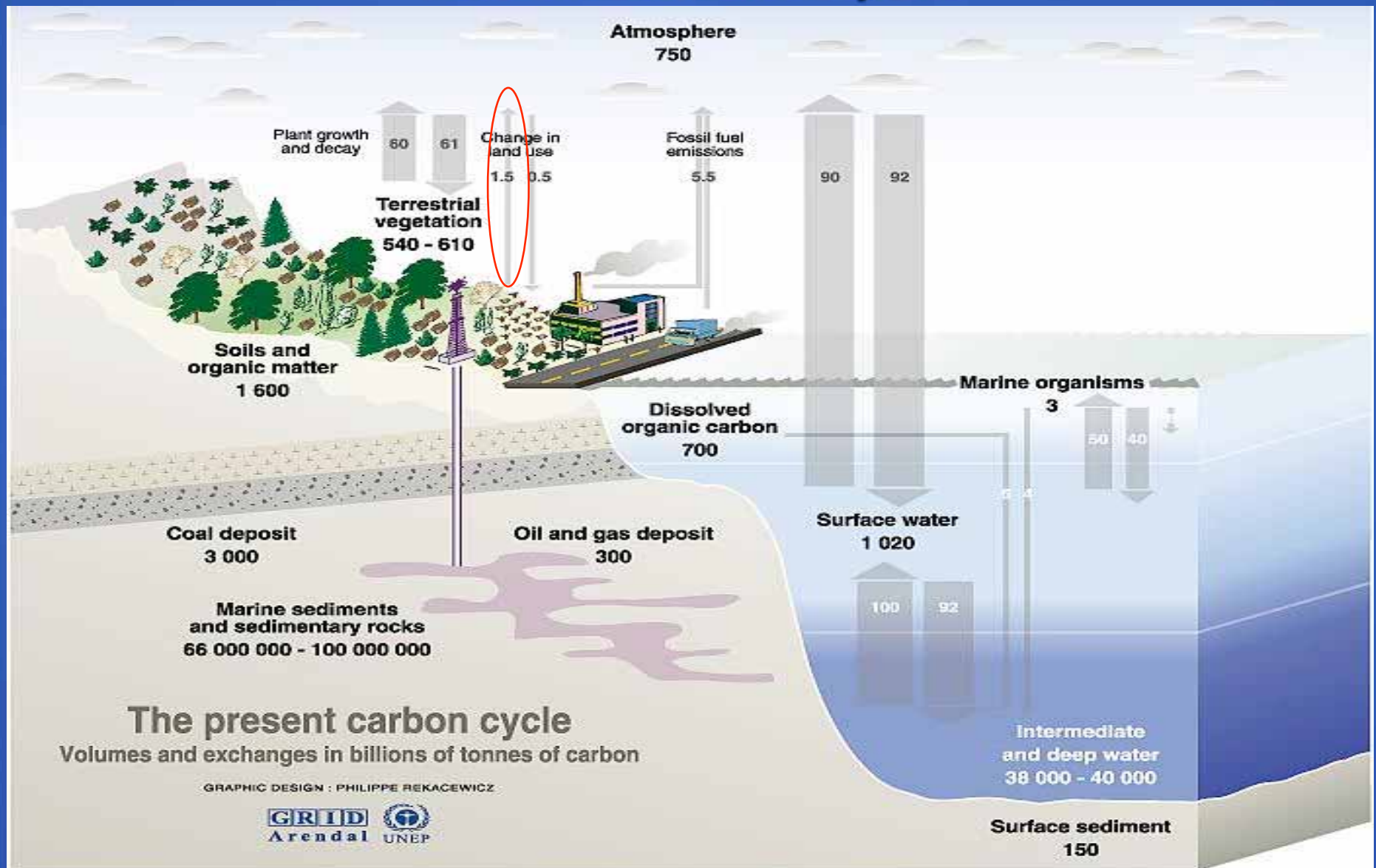
Carbon in Above- and Belowground Vegetation

(data USGS, U.S. Dept. Energy; analysis WRI)

0 250 t ha⁻¹

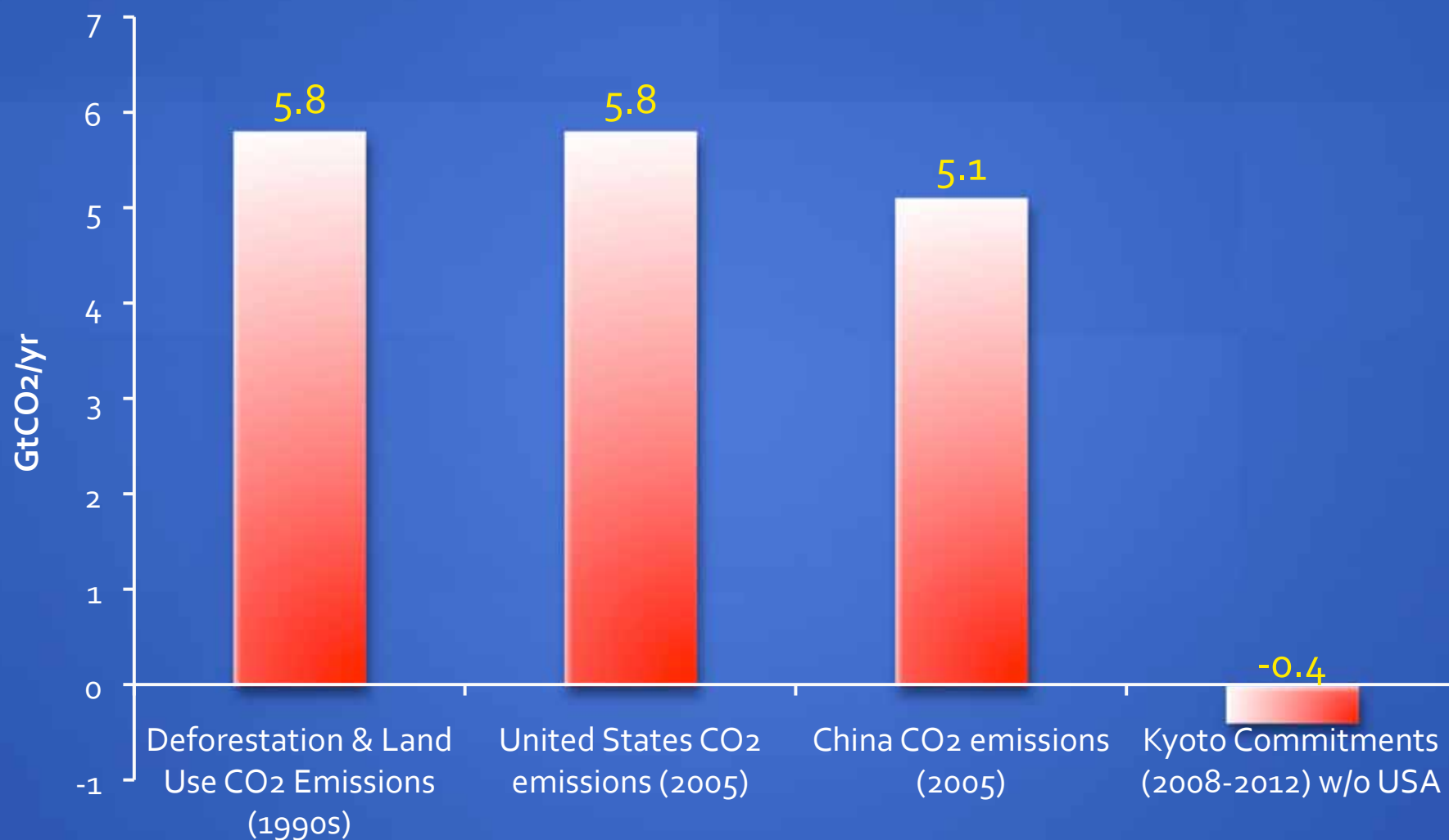


Global Carbon Cycle



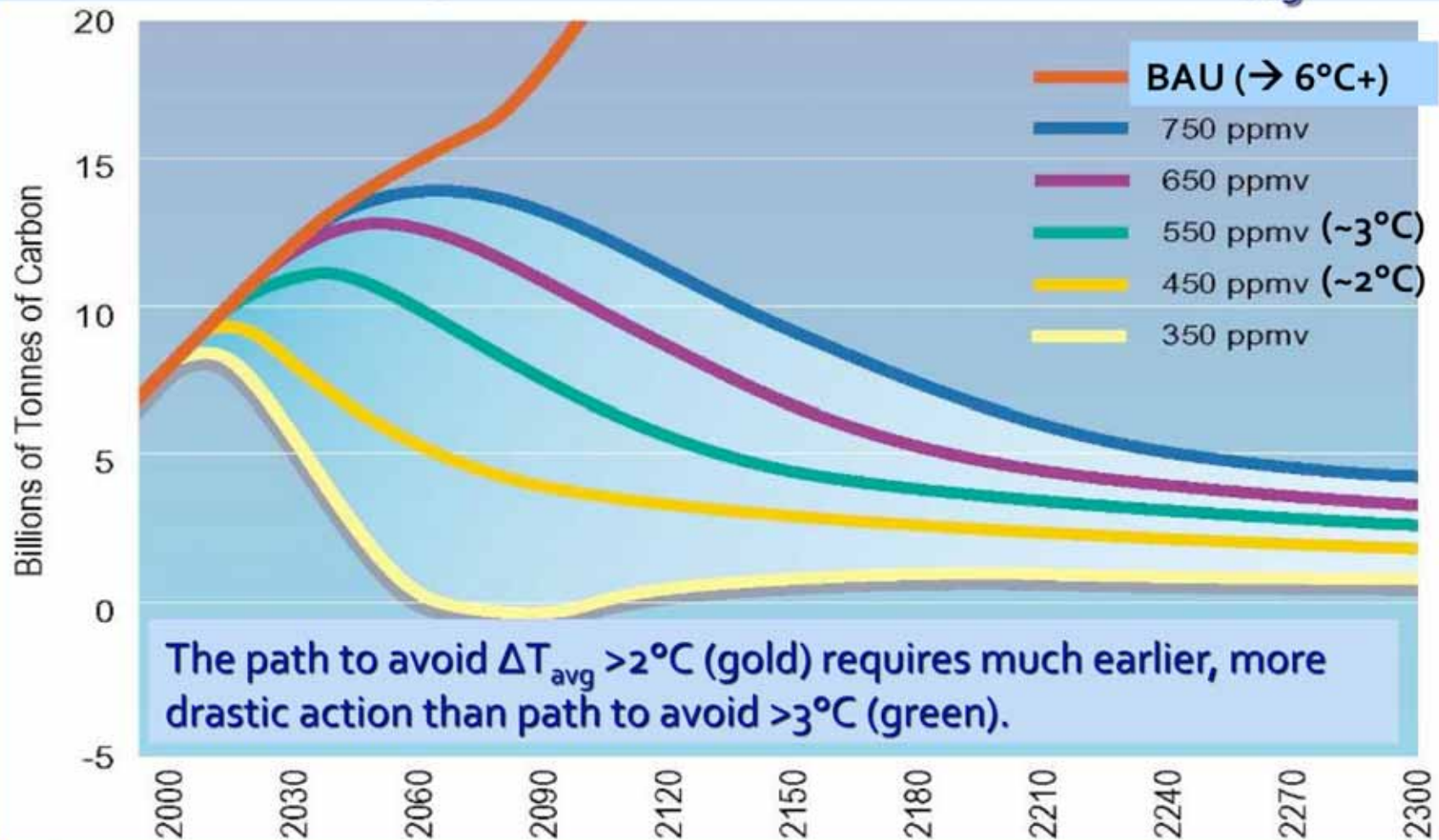
Sources: Center for climatic research, Institute for environmental studies, university of Wisconsin at Madison; Okanagan university college in Canada, Department of geography; World Watch, November-December 1998; Climate change 1995, The science of climate change, contribution of working group 1 to the second assessment report of the intergovernmental panel on climate change, UNEP and WMO, Cambridge press university, 1996.

Deforestation Emissions in Perspective



Sources: Deforestation emissions from IPCC 2007 WG 1 Ch. 7; US & China Emissions from IEA 2007 World Energy Outlook; Kyoto Commitments from EIA, IEO 2006, Ch. 7.

Future BAU emissions path compared to paths for stabilizing CO₂ concentration to limit ΔT_{avg}



Bottom line: Cannot hit 450ppmv w/o dealing with deforestation

Tropical Forest “Crisis” – Perennial International Concern Since Early 1980s

BY NORMAN MYERS

AMBIO, 1981

The Hamburger Connection: How Central America’s Forests Become North America’s Hamburgers

Nearly 40 percent of the forest cover in Central America has been destroyed. The land is now pasture for the cattle that supply cheap beef to North America’s fast food industry.

Biodiversity & North/South
linkages as the dominant
framings of the problem



BUT . . . Past Efforts To Halt Tropical Deforestation Have Not Worked



- Tropical Forestry Action Plan (TFAP)
- Debt-for-Nature Swaps
- International Tropical Timber Organization (ITTO)
- Convention on Biological Diversity
- Forest Certification Schemes
- World Commission on Forests & Sustainable Development
- Protected Areas
- UN Forum on Forests



Re-Framing Tropical Deforestation as Part of Climate Challenge

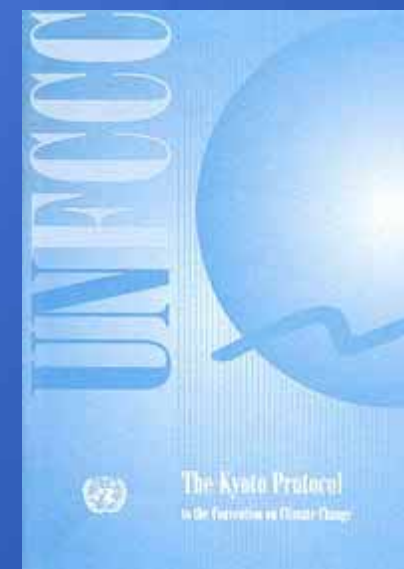
- Failure to agree upon a Global Forests Convention at 1992 UNCED
- IPCC Assessments note emissions from deforestation & land use
- 1992 - UNFCCC references emissions from land use and deforestation
- 1997 - Kyoto Protocol references emissions from land use and deforestation
- BUT . . . COP 7 Marrakesh Accords (2001) excluded emissions from deforestation in developing countries from 1st Kyoto Commitment period – 2008-2012



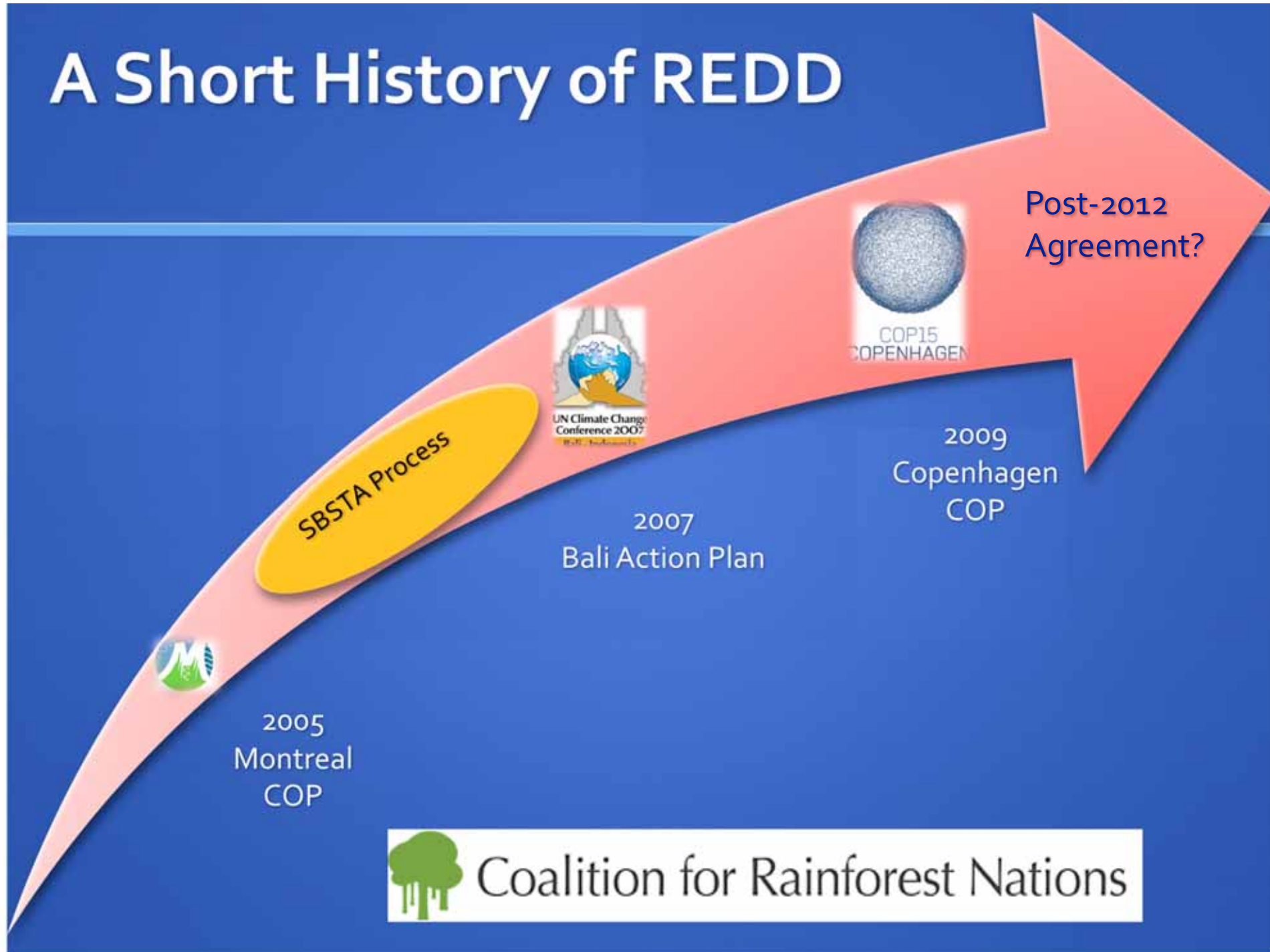
EARTH SUMMIT 92



UNCED och GLOBAL FORUM
Rio de Janeiro 1-14 juni 1992



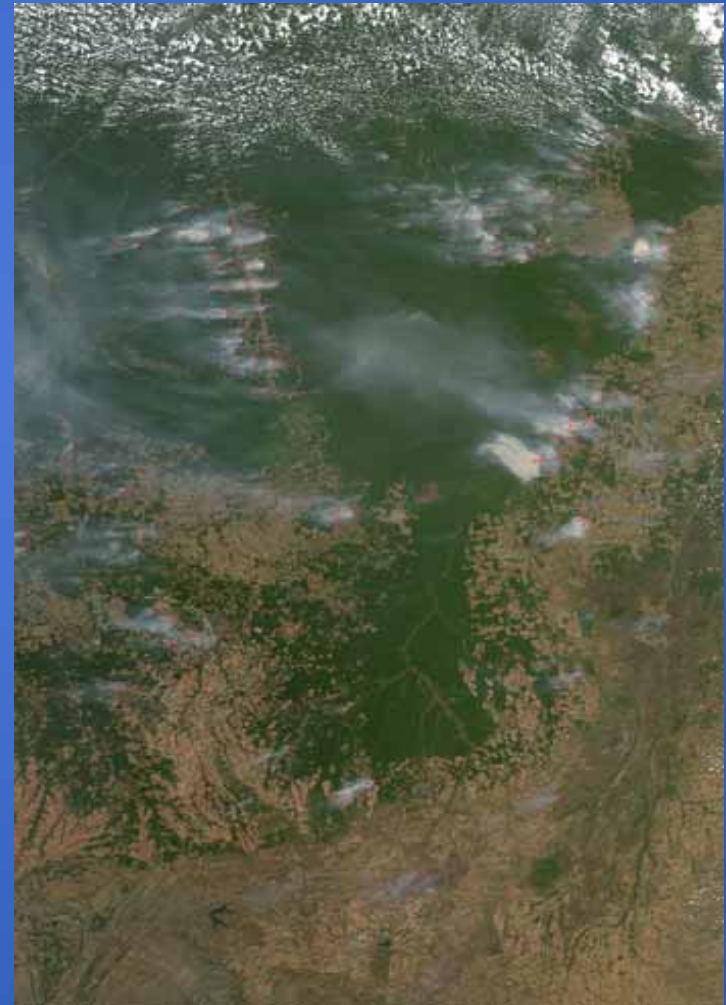
A Short History of REDD



Coalition for Rainforest Nations

REDD: The Basic Idea

- REDD is about reducing emissions from the forest sector
- REDD is tied to the value of avoided emissions, NOT to the value of existing carbon stocks – BUT this must translate into payments for protection of existing forest stocks
- REDD seeks to mobilize carbon finance at scale – multiple billions of dollars per year
- REDD could generate critical social and environmental co-benefits – BUT climate protection is the driver

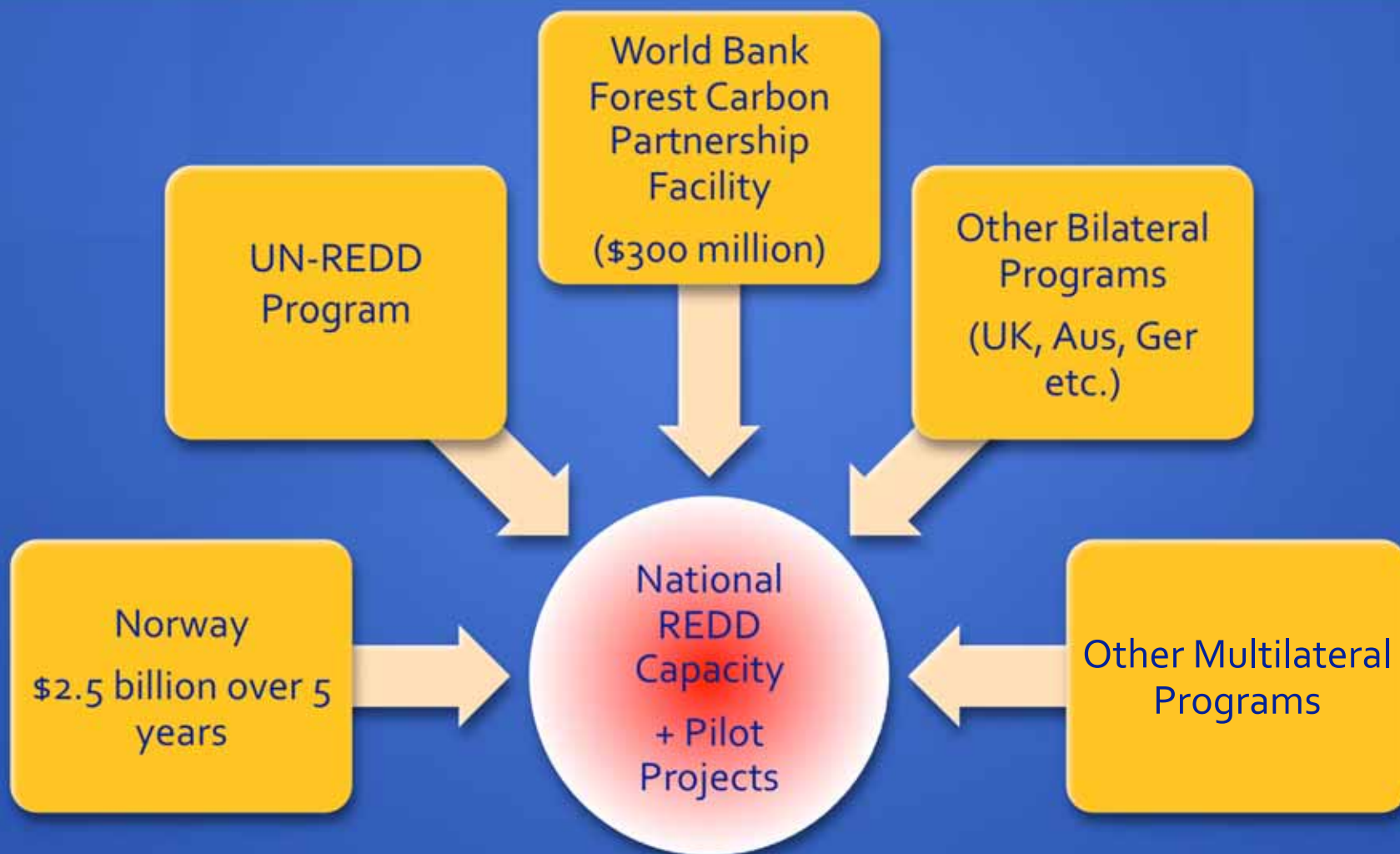


Bringing Deforestation into Climate Policy

- Alternative Approaches -



International Efforts to Finance REDD Capacity Building

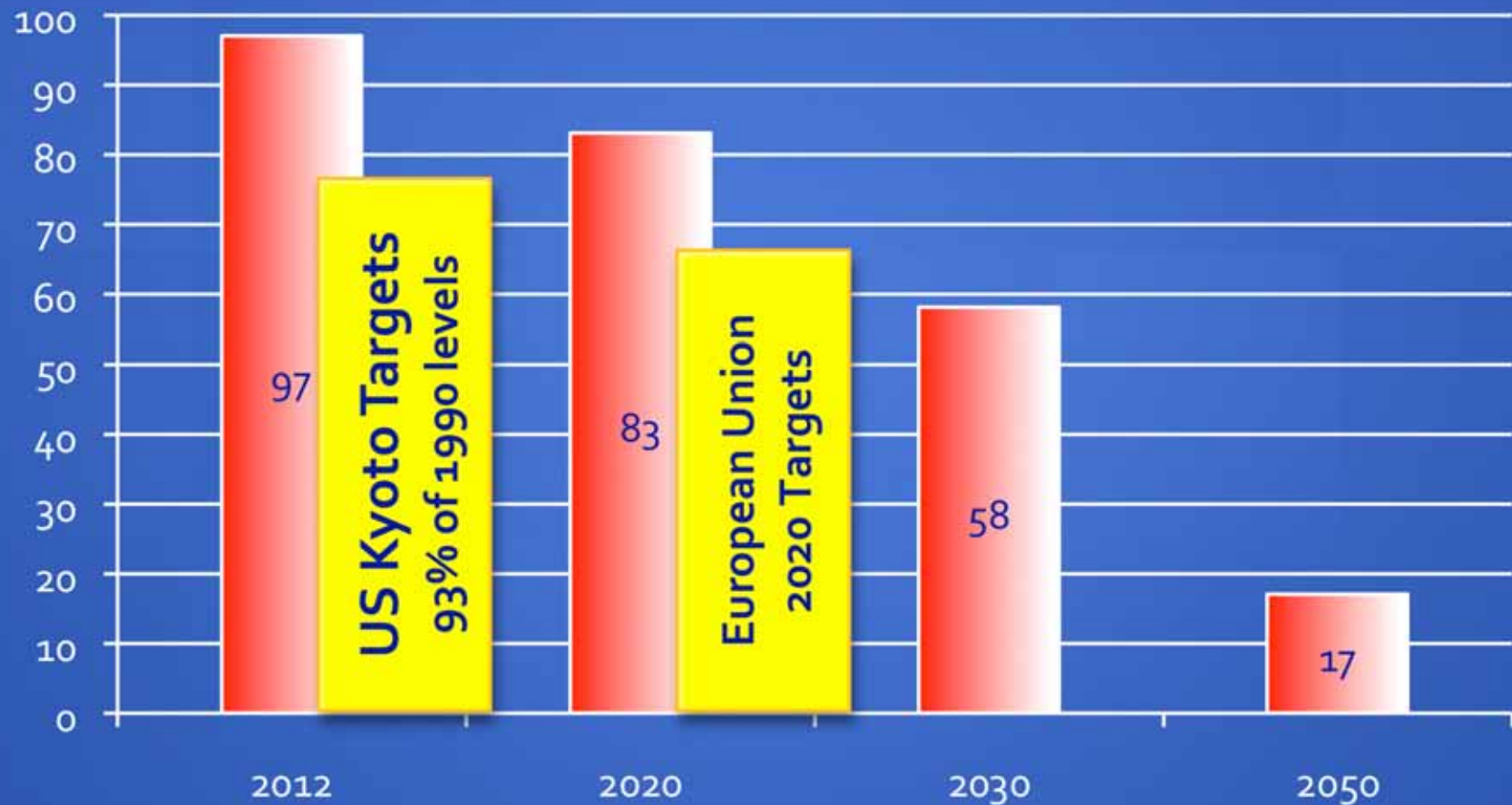


REDD & US Climate Policy: The American Clean Energy & Security Act of 2009 [HR 2454]

- Structure of the bill
 - Title I – Clean Energy (Federal RPS; CCS; Clean Fuels & Vehicles; Smart Grid & Transmission)
 - Title II – Energy Efficiency (Residential; Commercial; Utilities; Industrial; etc.)
 - Title III – Reducing Global Warming Pollution (Cap & Trade; GHG Standards)
 - Title IV – Transitioning to a Clean E Economy (Competitiveness; Green jobs; Consumer assistance; Adaptation)
 - Title V – Agricultural and Forestry Related Offsets (Offset program for domestic agriculture and forestry)
- Focus on Title III – Cap & Trade Provisions

Waxman-Markey Reduction Goals

(as a % of 2005 emissions)



Coverage starts at 2/3 of U.S. emissions and expands to about 85% of emissions after first 4 years

Two Key RED(D) Provisions in H.R. 2454

1. Set Aside of Emission Allowances

- Capacity building
- Leakage prevention
- Supplemental reductions

2. International Offsets for Reduced Deforestation

Set Aside of Emission Allowances for REDD

- Amount of set aside – substantial increase over previous proposals
 - 5% of total allowances from 2012 to 2025 (~250 million allowances/yr in the early years) – REAL MONEY
 - 3% from 2026 to 2030
 - 2% from 2031 to 2050
- Use of allowances
 - Supplemental reductions of at least 720 MT CO₂e by 2020 (~10% of US 2005 emissions); cumulative reductions of 6 GT CO₂e by 2025
 - Capacity building and market readiness
 - Protection against international leakage (HFLD countries)
- Allowances can be distributed directly to countries; private or public entities; or international fund – but rules/standards run with the money

Set Aside (cont.)

- Eligible Activities
 - National and subnational reduction activities
 - Measuring, monitoring, and verification activities
 - Forest governance and enforcement
 - Policy reforms
- Requirements for participation
 - Bilateral/multilateral agreement with US including commitment to establish national baseline; trajectory to zero net deforestation in 20 years; protection of rights/interests and benefit sharing
 - 5 year limit on participation (with possible extension of 5 years)
- Policy (and political) concerns: Allowance set asides are zero sum game; US worker re-training gets 0.5% thru 2020; Not at all clear that tropical forest countries can meet program requirements in early years

Offsets from Reduced Deforestation

- Focus on deforestation; Administrator may add degradation in rulemaking
- Part of international offsets provisions – up to 1 billion tons/year!
- 3 categories of eligible activities
 - National-level activities
 - State- or province-level activities in large emitting countries
 - Project- or program-level activities in small emitting countries
- RED offsets also used to replenish strategic reserve (another source of demand for RED)

Offsets from Reduced Deforestation (cont.)

National-level activities - requirements

- Bilateral/multilateral agreement with US
- Ex post crediting
- Discounting for uncertainty
- Demonstrated capacity for RED(D)
 - Technical capacity
 - Institutional capacity
 - Strategic plan for forest/land use sector
- National deforestation baseline
 - Consistent with NAMAs
 - Based on avg historical deforestation rates for at least 5 years and “other factors”
 - Trajectory to zero net deforestation within 20 years
- Protection of rights/interests and benefit sharing for indigenous peoples and forest-dependent communities

Offsets from Reduced Deforestation (cont.)

State- or province-level activities - requirements

- Bilateral/multilateral agreement between host country and US (??)
- Applies to countries with >1% of total global emissions and >3% of LULUCF emissions
- State or province must itself be “major emitter of GHGs from tropical deforestation on a scale commensurate to the emissions of other countries” (??)
- Demonstrated capacity for RED(D): technical + institutional + strategic plan
- State/province deforestation baseline
 - Consistent with any existing NAMA
 - Based on avg historical deforestation rates in state/province for at least 5 years and “other factors”
 - Trajectory to zero net deforestation within 20 years (??)
- Phase out: 5 years after US compliance system goes live
- Protection of rights/interests and benefit sharing for indigenous peoples and forest-dependent communities

Offsets from Reduced Deforestation (cont.)

Project- or program-level activities - requirements

- Restricted to countries with <1% of total global emissions and <3% of LULUCF emissions + working toward national strategic plan for forest/land-use sector
- Project- or program-level deforestation baseline
 - Consistent with any existing NAMA
 - Based on avg historical deforestation rates in “project or program boundary” for at least 5 years and “other factors” (??)
 - Adjusted for leakage
- Phase out: 5 years after US compliance system goes live with possible extension up to 8 years for activities in “least developed nations” if country lacks national capacity but is working toward “credible national strategy”

Cost Estimates – Assumptions Regarding International Offsets

- HR 2454 can be seen as major legislative bet on the availability of cheap offsets (particularly international offsets) for cost control
- EPA & CBO cost estimates depend on offsets, showing allowance prices of ~\$16 per ton in the initial years with max. use of offsets
- EPA models estimate that domestic offset supply will NOT saturate the entire 1 billion tons → added premium on international offsets (but this was prior to Peterson amendment)
- EPA models estimate that allowance price increases 89% without international offsets
- BUT HR 2454 is betting on categories of international offsets that are new and untested and imposes significant procedural requirements on efforts to bring these offsets into US market

Offsets from Reduced Deforestation

-Some Concerns-

- Eligibility requirements too difficult/onerous (particularly for subnational) – chilling effect on the market
- BUT – potential pool of international offsets very large – vulnerable to domestic opposition
- May not fully synch up with international process – could lead to rules that are at odds with what comes out of Copenhagen (or the next meeting)

Substance versus Procedure

John Dingell (D-MI) on Legislative Drafting

"If you let me write the procedures for a law, I'll let you write the substance, and I'll screw you every time."

too much procedural complexity undermines substantive goals

a cautionary lesson for international offsets provisions in HR 2454



CAUTION

**THIS SIGN HAS
SHARP EDGES**

DO NOT TOUCH THE EDGES OF THIS SIGN



ALSO, THE BRIDGE IS OUT AHEAD

